

Current SEGIR/Financial Services Assignments

<i>Project Name:</i>	Audits of Water Authority of Jordan Program Management Unit and Management Contract
<i>Task Order Number:</i>	OUT-PCE-I-801-99-00005-00
<i>Country and Region of Activity:</i>	Jordan (Middle East)
<i>Start Date:</i>	June, 2000
<i>End Date:</i>	May, 2003
<i>Authorized Amount:</i>	\$909,077
<i>Obligated Amount:</i>	\$909,077

Purpose of Task Order:

Abt Associates is conducting a technical and financial audit of the Water Authority of Jordan's (WAJ) Program Management Unit and Management Contract. In 1996, the Government of Jordan, through WAJ, began the Amman Water & Sanitation Management Project with assistance from a large number of donors. The goal of the project is to substantially improving the standard of water services in the greater Amman area. A Capital Investment Program was launched with support from USAID, World Bank, the European Investment Bank, Germany's KFW, and the Italian Government. A Management Contract was also given to an international water/wastewater systems operator. The Scope of Work of Abt Associates' audit services thus comprises two components: (i) a Management Contract audit; and, (ii) a Project Management Unit audit.

Approach:

Abt Associates is undertaking the audit of the project management unit (PMU), through a subcontract with the Amman branch of Arthur Andersen. This audit verifies cash flows and billings against work in place for the capital project work in rehabilitating the Amman water supply system.

The management contract audit is being conducted by IPC, Abt Associate's subcontractor. This is being conducted through extended short-term assignments by IPC's consultant to Amman. The performance audit is simply measuring performance achievements by the contractor against performance targets set in the management contract. The consultant is also assisting the Ministry of Water negotiate any penalties due from the contractor, and providing advice in how to restructure/modify the contract to better serve Amman through more realistic and achievable performance standards. The goal of this is to transfer some capacity to convert the Ministry of Water's function to that of a supervisory agency.

Lessons Learned:

In an emerging market situation, independent third-party reviews are critical to ensure that projects are being implemented in a cost-effective and efficient manner and to reassure

government officials of the efficacy of PSP. The financial audit process is a good opportunity to build the institutional capacity of WAJ, as technical assistance and training are necessary steps towards the completion of the audit. Likewise, third-party technical audits provide a mechanism for ensuring contractor performance, and that the most efficient technology and international best practices are applied.

<i>Project Name:</i>	Strengthening Financing Initiative
<i>Task Order Number:</i>	PCE-I-00-00-00005-00
<i>Country and Region of Activity:</i>	Africa
<i>Start Date:</i>	July 15, 1999
<i>End Date:</i>	September 18, 2003
<i>Authorized Amount:</i>	\$1.8 million
<i>Obligated Amount:</i>	\$1.25 million

Purpose of Task Order:

Abt Associates is contributing to AFR/SD's Agriculture Strategic Objective (SO#3), entitled "Adoption of Improved Agricultural Programs, Policies, and Strategies." Abt Associates is working to increase the efficiency, stability and African support and ownership of research and technology transfer services for agriculture and natural resource management in Africa through sustainable technology development and transfer, private sector agricultural marketing and support service development, and augmentation of the impact of agriculture on nutrition. This activity is a continuation of earlier work, supported by AFR/SD, under the Sustainable Financing Initiative (SFI), that continues the close collaboration with the Special Program for African Agricultural Research (SPAAR) and with African AR/NRM partners.

Approach:

This objective will be accomplished through the following components: financial mechanisms, institutional reform and capacity-building, partnership development, and policy analysis and reform.

Financial Mechanisms are needed both to mobilize resources and improve their allocation. This program component concentrates on establishing competitive grants systems, at both the national and sub-regional levels. It supports work on the establishment and operation of endowment funds, on commercialization and contract research mechanisms, and on approaches to building performance incentives into block grants/formula funding.

Institutional Reform and Capacity-Building is another important component of the program. Without efficient and effective management, AR/NRM institutions cannot: (i) produce valued research outputs; (ii) attract national support and resources; (iii) attract international donor confidence and funding; (iv) tap into global scientific resources; and, (v) assure accountability to stakeholders and the broadest distribution of benefits in research activities. This program

component addresses institutional reforms, such as financial management systems, organizational structures and design, governance arrangements, incentives systems, and so on.

Partnership Development is a key factor in advancing agricultural science and technology by drawing upon the scientific capacity of both governmental and non-governmental organizations. One set of component activities deals with assessment and analysis: helping to identify potential and appropriate partners, examining options for various types of partnership arrangements, and assessing the trade-offs among options. Another set deals with capacity-building to operate effectively in a partnership mode, where inter-institutional linkages are critical.

Finally, Policy Analysis and Reform is essential to sustainable financing. This component of the program comprises analysis and assessments, for example, conducting policy mapping to identify policy constraints and needed reforms; technical assistance to work with sub-regional and/or national AR/NRM decision-makers on policy analysis and the development and implementation of reform strategies; and dialogue and dissemination, for example, organizing roundtables to share experience, lessons, best practices, and policy options.

Lessons Learned:

Agricultural research has made major contributions to economic growth and the alleviation of poverty, yet research systems face declining and unstable public funding, both from national and international sources. As a result, national agricultural research systems have experienced severe financial shortages, degradation of capacity, stop-start programs, and brain drain as researchers leave the system. New financial mechanisms for mobilizing and allocating funding for agricultural research and technology transfer are at the heart of strategies for sustainable financing. This activity has concentrated on developing the potential of cesses, competitive grants, and commercialization.

Robust and performance-focused institutions are also essential to effective national agricultural research systems, but too frequently they are lacking. Restructuring is one approach to adjust organizations to changes in the environment or new demands and circumstances. Several examples from this activity are demonstrating that structural changes may help improve the quality of work, manage scarce resources more carefully, bolster staff morale, and generate outside support for the work of the organization.

A paramount theme at the workshops conducted by Abt Associates has been the centrality of partnerships. Successful partnerships will concentrate upon research and technology development that is targeted on key problems and constraints, and is cost-effective; the watchword is “value for money.” Program participants have repeatedly highlighted the need for public discussion, debate, and information dissemination regarding the role of agricultural research and technology in socio-economic development, rural poverty alleviation, income generation, food and nutritional security, and sustainable natural resources management. Successful outreach depends upon crafting and delivering messages that resonate with this broader community’s interests. Researchers should link what they can contribute to larger development policy issues.

Completed SEGIR/Financial Services Assignments

<i>Project Name:</i>	Support for the Provision and Institutionalization of Business Finance Services in Kosovo
<i>Task Order Number:</i>	PCE-I-02-99-00005-00
<i>Country and Region of Activity:</i>	Kosovo (CEE and NIS)
<i>Start Date:</i>	June 6, 2000
<i>End Date:</i>	August 19, 2000
<i>Authorized Amount:</i>	\$165,336
<i>Obligated Amount:</i>	\$165,336

Purpose of Task Order:

Abt Associates managed this task order to analyze the policy and institutional constraints limiting the availability and efficiency of financial intermediation services in Kosovo, and to review and prioritize options for an effective business finance facility and associated business development intervention strategy in Kosovo. The ultimate purpose of this strategy was to facilitate development of a support program which would promote the provision of critical capital financing to business enterprises in Kosovo (primarily to SMEs), and to support the development of a sustainable business financing capability and system in Kosovo.

Approach:

Abt Associates fielded a team of experts in development finance, microfinance, banking and business development on a three-week assignment in support of USAID/Kosovo's program development efforts in the provision and institutionalization of business finance services in Kosovo. The team worked closely with USAID staff from the Mission and Washington, and upon return from the assignment, the team produced a report that provided inputs into the design of a major planned initiative in support of economic recovery and growth in Kosovo.

The Abt Associates team focused on the constraints to the development of a sustainable business financing system in Kosovo; analyzed alternative approaches for addressing these constraints; and provided concrete and detailed recommendations on the development of a strategy and framework for a USAID-supported business financing strategy and facility, and a corollary business development support effort. The work was centered around issues of programmatic interest, specifically the (unmet) needs for business finance and non-financial support services and relevant demand characteristics, the principal options for USAID interventions to meet these needs, and the parameters and features of the most suitable programmatic response.

Lessons Learned:

The Abt Associates team found that weaknesses in the business environment affected the ability of existing and new financial institutions to meet the needs of the enterprise sector as they rely on traditional banking policies and procedures. However, the team believed that even in the

absence of a complete legal infrastructure, there were proven and effective methods to lend to the micro and SME sectors in a relatively safe manner, based on character, reputation, years of experience in business, cash flow, solidarity guarantees and escalating loan sizes, techniques which are the essence of microfinance. Critical business skills, such as accounting, and experience in running businesses in the more complex, highly competitive, and market-driven international arena are in short supply in Kosovo, and should be addressed as a complement to any course of action.

The report completed by the Abt Associates team provided a brief overview of the current situation, focusing in particular on the emerging legal and regulatory framework, and presented an analysis of needs and demand characteristics for finance and non-financial business support services. The analysis, recommendations and specific options outlined for USAID took into account past donor and USAID experience in the provision of credit financing facilities and the development of business finance institutions in developing and transitional economy countries, and current and proposed donor programs in Kosovo.

Relevant SEGIR/Privatization Assignments

<i>Project Name:</i>	Private Sector Participation in the Jordanian Water Sector
<i>Task Order Number:</i>	PCE-I-00-99-00010-00, Task order #801
<i>Country and Region of Activity:</i>	Jordan (Middle East)
<i>Start Date:</i>	November, 1998
<i>End Date:</i>	December, 2000
<i>Authorized Amount:</i>	\$2.5 million
<i>Obligated Amount:</i>	\$2.5 million

Purpose of Task Order:

Abt Associates was requested to assist the Ministry of Water and Irrigation (MWI) of Jordan define, and implement, strategic options for the introduction of private sector participation (PSP) into the country's water and wastewater sector. Financially, the MWI—through its implementing agency, the Water Authority of Jordan (WAJ)—was incurring enormous losses due primarily to inefficient management, aging infrastructure, and poor planning. Rapid changes occurring in Jordan's population growth and climatic conditions, and economic policy dictated that continued reliance on central government provision of water services was financially unsustainable and that private sector efficiencies must be incorporated into the process in one form or another to meet future needs.

Approach:

Abt Associates provided both resident and short-term staff to assist the Ministry of Water and Irrigation in meeting goals and objectives spelled out in Abt Associates' sector report of July

1999. Abt Associates approach to the work was directed in two areas: technical assistance (advisory services), and training. Technical assistance was provided with both short-term and long-term solutions in mind.

In the short-term, the legal and regulatory environment was analyzed and recommendations made to improve the MWI's ability to tender contracts to the private sector and to oversee and regulate operational contracts. Abt Associates served as the advisor to the Ministry for all phases of the design and issuance of a management contract for the operation of new water and wastewater services in Wadi Mousa, the city serving Petra, Jordan's principal heritage site. Additionally, Abt Associates assisted the Ministry review the proposed BOT tender for the giant As Samra wastewater treatment plant.

From a long-term perspective, Abt Associates made recommendations affecting the eventual transition of the MWI from an operating entity to a regulatory agency. In this regard, complete sets of model tendering documents were delivered that conformed to Jordanian tendering regulations. Monitoring and evaluation guidelines were developed and recommendations made for the establishment of supervisory authority.

Training was a key part of Abt Associates' assistance to the MWI. A one-of-a-kind training course was designed and delivered over a two-week period where over 70 key personnel were trained. With a curriculum designed in country context, the course covered principles of PSP, accounting and financial systems, contracting and supervision, financial modeling, laws and regulations, risk assessments, and capital planning. In support of training, two study tours were conducted to demonstrate the salutary effects of successful PSP programs in other countries, and to enlighten management on new efficient technologies in the water and wastewater sectors.

The goal of the program was to leave in place a trained, functioning contracting and supervisory unit within the MWI that would be able to identify needs, undertake proper planning, and tender PSP options as a means of alleviating Jordan's chronic water shortage and water sector management shortfalls.

Lessons Learned:

By December 2000, all planned deliverables had been successfully completed, yet the MWI still did not have the capacity to implement PSP options on their own. Most important, the MWI had not put in place a specialized unit to tender contracts/concessions and supervise their operations. While it is expected that this unit and capacity will one day become a part of the MWI operations, the shortfall in attaining this goal can be directly attributable to a lack of a 100% commitment on the part of the Jordanian government. This program was implemented concurrent with a major water crisis together with political upheaval. It was thus difficult to separate the key MWI staff from a crisis mode of operations. Additionally, it was felt that a broad underlying suspicion of PSP slowed acceptance of the program tenets and only served to lengthen the time needed to effectively implement the project.

The key lesson learned in this program was not to underestimate the absolute need for total government commitment to a policy reform agenda demonstrated in writing and through the appointment of capable, high-level counterparts committed to achieving results.

<i>Project Name:</i>	Moldova Power Sector Privatization
<i>Task Order Number:</i>	PCE-I-02-97-00003-00
<i>Country and Region of Activity:</i>	Moldova (CEE and NIS)
<i>Start Date:</i>	December 17, 1997
<i>End Date:</i>	January 31, 1999
<i>Authorized Amount:</i>	\$1,525,605
<i>Obligated Amount:</i>	\$1,324,094

Purpose of Task Order:

Abt Associates assisted the Government of Moldova in preparing the privatization of the country's energy sector, both power distribution and generation. The project involved the recasting of the accounts of the power sector companies to go from Soviet-style accounting to internationally accepted accounting standards, their valuation, the choice of privatization strategies and modalities, and the preparation of the complete documentation for the actual privatization.

Approach:

During the start-up phase of the project, Abt Associates cooperated with the Ministry of Privatization to develop a project implementation schedule, and determine an acceptable transparent and rapid valuation method for the assets, based on existing regulations as specified by Moldovan law. At this stage, it was important to secure the agreement of all relevant Moldovan governmental entities to privatize the assets. Abt Associates then assembled local contractors and developed a project team to evaluate the enterprises and perform a valuation of the assets.

The Abt Associates team then worked to develop both overall and individual privatization plans that were to be submitted to the Moldovan Parliament for approval, and prepared a detailed implementation plan for each individual energy company. Based on the privatization plan, Abt Associates worked with the Ministry of Privatization to develop guidelines and procedures acceptable to USAID and the Government of Moldova for reviewing and responding to prospective tenders in a timely and efficient manner. Finally, the Abt Associates team developed detailed tender documents and prospectus that outlined industry structure, regulatory regime, present and future financial and technical prospects of each company. Finally, Abt Associates worked to develop and implement a public education strategy.

Lessons Learned:

This assignment was a difficult undertaking due to the number of parties involved. Through significant effort and coordination, the Abt Associates team was able to work with the various USAID, EBRD, World Bank and Government contractors in the country. A significant effort

was also made to work with a number of politicized local groups that wanted to take over the process, and keep control of the project.

Abt Associates was successful in preparing effective privatization documents and conducting the dissemination of information regarding the pending privatization. In the end, however, the project suffered a lack of consensus, as donor organizations and government agencies were not committed to the same agenda, particularly concerning the final step regarding who should ultimately privatize the assets. In completing this project, the Abt Associates team determined that the following issues must be addressed and resolved in order for the privatization to be successful.

Ownership and control: issues here include the implications of different structures and approaches, provisions to demonstrate to investors the government's commitment to granting full control, for example through trust-like arrangements, and any subsequent divestitures of the government stake, such as sales on the stock exchange.

Post-privatization market structures: for strategic investors in electricity distribution utilities, this aspect is one of the most important ones, since it defines the conditions under which the privatized entities will operate, how they will interact with the transmission and dispatch entity, what their rights are with respect to purchasing power from different sources, and what their rights and obligations vis-à-vis the regulatory authority will be.

Legal and regulatory issues: the relationship of the new industry structure to regulatory oversight provisions, and the relationship between regulatory authorities and the government; the existence of a sound and transparent regulatory framework, and the establishment of an independent regulatory authority strengthen investor confidence and therefore contribute to a successful outcome of the privatization and performance of the industry in the long run.

Cross-ownership: should there be any restrictions on cross-ownership, in particular with respect to generating plants or connected utilities; issues here require a careful weighing of the benefits of economies of scale vs. competition in an industry characterized by geographic monopolies for the distribution utilities and significant technological demands of more competitive structures.

Rehabilitation needs: what are the rehabilitation and modernization needs and what are likely investments required? How should these needs be handled in the privatization process imposing minimum investment requirements, considering proposed investments in the bid evaluation, setting performance standards and leaving investments to the new owners, etc.

Abt Associates also learned that while other issues may play a less prominent role in the restructuring and preparation phase, several are critical in designing a successful privatization strategy that meets the needs of various stakeholders and creates value for the economy as whole.

Communications: who are the principal stakeholders, including potential strategic investors, the employees of the enterprises, their business partners, and the general public, what are their concerns, and what are the most effective approaches in reaching them? What should the message be to each of these groups?

Bid procedures: in the case of public tenders, what are the bidding rules that will ensure the optimal combination of investor qualification and value to the economy? How should the bidding process be phased (prequalification, single or two-stage evaluation of bids)? Should the financial bids be evaluated on the basis of proposed tariffs (or some combination of both price offered and tariff demanded)? What is the role of rehabilitation and modernization investments in the bid evaluation?

Program transparency and integrity: how to counter any threats to the all important perceived integrity and fairness of the program? What are the best ways to reconcile transparency with the need for confidentiality to protect investors? In practice, maintaining transparency and avoiding even the appearance of a slanted playing field involves a myriad of decisions and actions at all levels, and therefore calls for a clear code of behavior.

Post-transaction provisions: ensure the observance of market rules and social and environmental concerns through existing and emerging regulatory structures?

Program monitoring and feedback: what information is required to assess the impact of different decisions and procedural choices to guide future privatizations; how much of this information will be gathered through the regular reporting systems established for regulatory purposes? What are the financial reporting requirements linked to any future flotation of the government stake?

Relevant Sustainable Urban Management Assignments

<i>Project Name:</i>	Egyptian Environmental Policy Program: Solid Waste Management
<i>Task Order Numbers:</i>	IQC# LAG-I-00-99-0007-00 (Several Task Orders)
<i>Country and Region of Activity:</i>	Egypt (Middle East)
<i>Start Date:</i>	March, 2000
<i>End Date:</i>	Ongoing
<i>Authorized Amount:</i>	\$2.6 million (estimated total to date)
<i>Obligated Amount:</i>	\$2.6 million (estimated total to date)

Purpose of Task Order:

Abt Associates is managing the largest solid waste privatization project in the world, and is providing technical assistance to the Governorates of Alexandria, Cairo and Qalyoubiya to implement best practices in solid waste management, develop privatization strategies, and complete the tender process.

Approach:

Abt Associates is serving as a full-service advisor to the local governments, by providing feasibility studies, regulatory analysis and reform, access to technical assistance through our strategic alliances with engineering firms, training, financial modeling, development of tender documents and assistance in contract negotiations.

In all three governorates, technical assistance has been provided to prepare for the privatization of the following services: residential, commercial and industrial waste collection; medical waste collection, treatment, and disposal; cleaning of public spaces, including streets, bridges, tunnels, transit stops and monuments; composting facility operation; sanitary landfill design, construction, and operation; and, open dump closure. The privatization model that Abt Associates utilizes emphasizes the creation of a strong stakeholder base through direct and meaningful participation by the local community and non-government sectors, which is being achieved by: working directly with local governments in Egypt to build their management capacity; providing more than two hundred days of in-depth training to more than 150 environmental service specialists who will be monitoring PSP contracts in Alexandria; implementing a participatory approach and working with local NGOs to strengthen local government support; training local youth for employment with the contractors; and, enacting *de facto* fiscal and management decentralization through PSP; tasks that are traditionally the responsibility of central and local governments.

Due to the success of the program in the first three Governorates, Abt Associates is preparing to produce and disseminate solid waste management privatization procedures manuals and conduct trainings across the country.

Lessons Learned:

This program has enjoyed tremendous success so far, primarily due to the complete support of all stakeholders in the process. The Abt Associates team has successfully built coalitions between local government and citizen groups. The most important lesson to be learned from this process is simply that it takes time to build relationships, to educate government officials, and to get the support and cooperation of all parties necessary to the success of the endeavor.

The Governorate of Alexandria has now completed the tender and contracting process, and the potential benefits of private sector participation in solid waste management are becoming visible — improved local governance, strengthened management capacity and enhanced service delivery. The Abt Associates team is carefully evaluating this post-tender period in Alexandria, to ensure that other governorates will benefit from experience gained. However, the work of these three governorates is far from finished, and Abt Associates is preparing to further the work that has begun by developing contract monitoring plans, training teams of monitors, evaluating contractor performance and system implementation, implementing public awareness and communication campaigns, and providing overall ongoing technical assistance.